

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Concord Township	County Jackson
Fiscal Year End June 30, 2007	Opinion Date October 8, 2007	Date Audit Report Submitted to State October 23, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

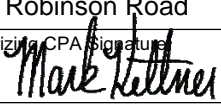
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name Mark T. Kettner, CPA, CGFM		License Number 11673

CONCORD TOWNSHIP

Concord, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

CONCORD TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

October 8, 2007

Board of Trustees
Township of Concord
Concord, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Concord Township, Michigan** as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Concord Township, Michigan as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Concord Township
Statement of Net Assets - Governmental Activities
June 30, 2007

Assets

Cash and cash equivalents	\$ 272,206
Investments	15,227
Receivables	17,072
Capital assets not being depreciated	13,000
Capital assets being depreciated	<u>11,639</u>
Total assets	<u>329,144</u>

Net assets

Invested in capital assets	24,639
Restricted for cemetery endowment:	
Nonexpendable	14,400
Expendable	5,853
Unrestricted	<u>284,252</u>
Total net assets	<u><u>\$ 329,144</u></u>

The accompanying notes are an integral part of these financial statements.

Concord Township
Statement of Activities - Governmental Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government - governmental activities				
Legislative	\$ 13,259	\$ -	\$ -	\$ (13,259)
General government	110,331	33,821	2,703	(73,807)
Public safety	103,548	-	-	(103,548)
Public works	67,195	-	3,627	(63,568)
Planning	11,030	-	-	(11,030)
Total primary government	<u>\$ 305,363</u>	<u>\$ 33,821</u>	<u>\$ 6,330</u>	(265,212)
General revenues:				
Property taxes				149,754
State shared revenue				109,079
Unrestricted investment earnings				<u>15,497</u>
Total general revenues				<u>274,330</u>
Change in net assets				9,118
Net assets, beginning of year				<u>320,026</u>
Net assets, end of year				<u>\$ 329,144</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**Concord Township
Balance Sheet
Governmental Funds
June 30, 2007**

	<u>General</u>	<u>Permanent Fund- Cemetery</u>	<u>Total</u>
<u>ASSETS</u>			
Assets			
Cash and cash equivalents	\$ 251,953	\$ 20,253	\$ 272,206
Investments	15,227	-	15,227
Due from other governments	17,072	-	17,072
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS</u>	<u>\$ 284,252</u>	<u>\$ 20,253</u>	<u>\$ 304,505</u>
<u>FUND BALANCES</u>			
Fund balances			
Reserved for chapel maintenance	\$ -	\$ 14,400	\$ 14,400
Unreserved - undesignated	284,252	5,853	290,105
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL FUND BALANCES</u>	<u>\$ 284,252</u>	<u>\$ 20,253</u>	<u>\$ 304,505</u>

The accompanying notes are an integral part of these financial statements.

Concord Township
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds	\$ 304,505
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	88,767
Deduct: accumulated depreciation	<u>(64,128)</u>

Net assets of governmental activities	<u><u>\$ 329,144</u></u>
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The accompanying notes are an integral part of these financial statements.

Concord Township
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Permanent Fund- Cemetery</u>	<u>Total</u>
Revenue			
Taxes	\$ 149,754	\$ -	\$ 149,754
Licenses and permits	14,367	-	14,367
State shared revenue	109,079	-	109,079
Interest and other revenue	41,281	-	41,281
	<u>314,481</u>	<u>-</u>	<u>314,481</u>
Expenditures			
Current:			
Legislative	13,259	-	13,259
General government	69,478	-	69,478
Public safety	114,578	-	114,578
Public works	67,195	-	67,195
Other	46,489	-	46,489
	<u>310,999</u>	<u>-</u>	<u>310,999</u>
Net changes in fund balance	3,482	-	3,482
Fund balances, beginning of year	<u>280,770</u>	<u>20,253</u>	<u>301,023</u>
Fund balances, end of year	<u><u>\$ 284,252</u></u>	<u><u>\$ 20,253</u></u>	<u><u>\$ 304,505</u></u>

The accompanying notes are an integral part of these financial statements.

Concord Township
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$	3,482
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay		6,673
Deduct: depreciation expense		(1,037)
		9,118

Change in net assets of governmental activities	\$	9,118
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The accompanying notes are an integral part of these financial statements.

Concord Township
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Amended Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
Revenue				
Taxes:				
Current property tax	\$ 58,550	\$ 59,550	\$ 59,683	\$ 133
Road millage	67,700	67,550	67,667	117
Administration fees	20,000	21,500	22,404	904
Total taxes	146,250	148,600	149,754	1,154
Licenses and permits:				
Business licenses	8,500	9,500	8,805	(695)
Other licenses and permits	-	-	5,562	5,562
Total licenses and permits	8,500	9,500	14,367	4,867
State shared revenue	113,732	108,000	109,079	1,079
Other revenue:				
Cemetery fees	12,000	12,000	11,574	(426)
Fines and forfeits	2,000	2,500	2,800	300
Interest revenue	7,200	14,700	15,497	797
Other revenue	8,750	8,750	11,410	2,660
Total other revenue	29,950	37,950	41,281	3,331
Total revenue	298,432	304,050	314,481	10,431
Expenditures				
Legislative	14,600	14,600	13,259	1,341
General Government:				
Township Supervisor	8,600	8,600	8,419	181
Elections	4,500	6,500	5,641	859
Assessor	15,700	15,900	15,856	44
Township Clerk	20,300	20,300	18,602	1,698
Board of Review	1,600	1,600	1,306	294
Treasurer	20,000	20,000	19,654	346
Total general government	70,700	72,900	69,478	3,422
Public Safety:				
Police	52,530	49,530	49,199	331
Fire	55,100	55,100	54,349	751
Planning Commission	8,500	11,700	11,030	670
Total public safety	116,130	116,330	114,578	1,752
Public Works - Streets and Roads	67,600	67,600	67,195	405
Other:				
Cemetery	40,000	45,000	44,936	64
Professional services	1,000	2,000	1,553	447
Total other	41,000	47,000	46,489	511
Total expenditures	310,030	318,430	310,999	6,984
Net changes in fund balance	(11,598)	(14,380)	3,482	3,447
Fund balance, beginning of year	280,770	280,770	280,770	-
Fund balance, end of year	\$ 269,172	\$ 266,390	\$ 284,252	\$ 17,862

The accompanying notes are an integral part of these financial statements.

Concord Township
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2007

	<u>Current Tax Collections</u>
Assets	
Cash and cash equivalents	\$ -
	<u> </u>
Fund Balance	
Reserved	\$ -
Unreserved - undesignated	-
	<u> </u>
Total Fund Balance	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Concord Township (the “government” or “Township”) is a municipal corporation governed by an elected supervisor and a four-member board. The Township has adopted the position of Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, if any, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the respective fund financial statements.

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *cemetery permanent fund* accounts for expendable and nonexpendable resources of the cemetery trust.

Additionally, the government reports the following fund types:

The *agency fund* accounts for assets held for other governments in an agency capacity.

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Equipment	5-15

4. *Compensated absences*

The Township's employees are all part-time and are not entitled to any paid vacation or sick leave. Therefore, compensated absences are not accrued in the accompanying financial statements.

5. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted at the activity level for all governmental fund types each fiscal year on a basis consistent with generally accepted accounting principles. The government's final budget must be prepared and adopted prior to July 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the Statement of Net Assets follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 272,206
Investments	<u>15,227</u>
	<u>\$ 287,433</u>

Classification of Deposits and Investments:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 272,206
Governmental cash management fund	<u>15,227</u>
	<u>\$ 287,433</u>

As of June 30, 2007, the fair value of the Township's governmental cash management fund was \$15,227 and is not subject to credit risk.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the listing above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk.

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$153,917 of the Township's bank balance of \$274,170 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk.

B. Receivables

Receivables as of year end are composed entirely of amounts due from other governments.

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

C. Capital assets

Capital assets activity of the governmental activities for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	(Deletions)	Ending Balance
Capital assets not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Capital assets being depreciated:				
Office Equipment	942	-	-	942
Machinery and				
Cemetery equipment	35,152	6,673	-	41,825
Cemetery buildings	33,000	-	-	33,000
	<u>69,094</u>	<u>6,673</u>	<u>-</u>	<u>75,767</u>
Accumulated depreciation:				
Office Equipment	(942)	-	-	(942)
Machinery and				
Cemetery equipment	(29,149)	(1,037)	-	(30,186)
Cemetery buildings	(33,000)	-	-	(33,000)
Total accumulated depreciation	<u>(63,091)</u>	<u>(1,037)</u>	<u>-</u>	<u>(64,128)</u>
Capital assets being depreciated, net	<u>6,003</u>	<u>5,636</u>	<u>-</u>	<u>11,639</u>
Capital assets, net	<u>\$ 19,003</u>	<u>\$ 5,636</u>	<u>\$ -</u>	<u>\$ 24,639</u>

CONCORD TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. Property taxes

Real and personal property taxes are recorded as revenue in the year for which they are levied, provided they are collectible during that year or within 60 days following that year's end. Property tax revenues shown in the General Fund reflect the 2006 Township operating and road levies of .8322 mills and .9435 mills, respectively, on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value or \$70,273,400. The 2006 levy became a lien on properties on December 1, 2006, and was substantially collected in early 2007.

B. Pension Plan

The Township's employees are all part-time and are not entitled to any retirement benefits.

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



October 8, 2007

To the Board of the
Concord Township
Concord, Michigan

We have audited the financial statements of **Concord Township** for the year ended June 30, 2007, and have issued our report thereon dated October 8, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated May 12, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Concord Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Concord Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Concord Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Concord Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Concord Township, either individually or in the aggregate, indicate matters that could have a significant effect on Concord Township's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Concord Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

TOWNSHIP OF CONCORD

Comments and Recommendations

For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of Concord Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Significant Deficiencies

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

TOWNSHIP OF CONCORD

Comments and Recommendations (Concluded)

For the Year Ended June 30, 2007

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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